

Message Text

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47

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 EB-11 COME-00 TRSE-00 SCEM-02

INT-08 OMB-01 AID-20 OPIC-12 CIEP-02 DRC-01 /188 W

----- 111212

P R 121826Z DEC 73

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WSHDC PRIORITY 5851

INFO AMEMBASSY CARACAS

LIMITED OFFICIAL USE PORT OF SPAIN 1618

E.O. 11652: N/A

TAGS: ENRG, TD

SUBJECT: PNM RESOLUTION ON OIL INVESTMENTS

REF: STATE 242062 (NOT SENT CARACAS)

SUMMARY: PNM CONVENTION DID ADOPT, AS REPORTED IN JOURNAL OF COMMERCE STORY, RESOLUTION URGING GOTT TO STUDY FEASIBILITY OF ACQUIRING MAJORITY SHAREHOLDING IN SHELL AND TEXACO PRODUCING FIELDS, BUT DID NOT RPT NOT APPROVE OTHER POINTS IN RESOLUTION, WHICH INCLUDED RECOMMENDATION THAT GOTT ACQUIRE INTEREST IN BOTH COMPANIES' REFINERIES AND PURCHASE OUTRIGHT TINY BRIGHTON REFINERY. APPROVAL OF ENTIRE RESOLUTION WAS REPORTEDLY HEADED OFF BY PARTY CHAIRMAN (AND GOTT PETROLEUM MINISTER) PREVATT, WHO RECOMMENDED INSTEAD THAT AN IN-DEPTH STUDY SHOULD BE DONE BEFORE ANY ACTION WAS TAKEN. EMBASSY DOES NOT VIEW PNM RESOLUTION AS PRESAGING ANY MAJOR OR RADICAL CHANGE IN PRESENT GOTT PETROLEUM POLICY, HOWEVER, TONE OF RESOLUTION IS CONSONANT WITH GOTT POLICY ON FOREIGN PRIVATE INVESTMENT. END SUMMARY.

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1. FOLLOWING DECEMBER 2 PNM CONVENTION, PNM HEADQUARTERS

TOLD EMBASSY THAT MEETING WAS PURELY AN INTERNAL PARTY MATTER AND THAT NO DOCUMENTS WOULD BE MADE AVAILABLE, EXCEPT FOR TEXT OF PM WILLIAMS' SPEECH SENT TO DEPT. WITH POST A-117. THE FOLLOWING ACCOUNT IS THUS LARGELY BASED UPON PRESS STORIES, WHICH WE BELIEVE ARE PROBABLY ACCURATE.

2. A RESOLUTION NOTING THE GOTT'S SUCCESSFUL JOINT VENTURE IN PETROLEUM PRODUCTION WITH TRINIDAD-TESORO PETROLEUM COMPANY LTD. AS WELL AS ITS ENTRANCE INTO THE PETROLEUM DISTRIBUTION BUSINESS BY ACQUIRING A CHAIN OF GAS STATIONS, AND RECOMMENDING THAT THE GOTT SEEK A LARGER SHARE IN THE OIL PRODUCTION BUSINESS WAS SUBMITTED TO THE PNM GENERAL COUNCIL BY THE POINT FORTIN PNM CONSTITUENCY. (POINT FORTIN IS IN THE OIL BELT IN SOUTHERN TRINIDAD, AND IS THE LOCATION OF THE SHELL REFINERY.) THE GENERAL COUNCIL ACCEPTED THE RESOLUTION FOR DEBATE AT THE PARTY CONVENTION, WHICH WAS RECONVENED ON DECEMBER 2. THE RESOLUTION CONSISTED OF THREE POINTS: (A) THAT THE GOTT URGENTLY UNDERTAKE A SPECIAL STUDY OF THE FEASIBILITY OF ACQUIRING MAJORITY SHAREHOLDINGS IN THE PRODUCING FIELDS NOW OWNED BY SHELL AND TEXACO; (B) THAT THE GOTT ACQUIRE SHAREHOLDINGS IN THE REFINING PROCESS BY DIRECT PURCHASES OF SHARES IN THE EXISTING REFINERIES; AND (C) THAT THE GOTT DIRECTLY ACQUIRE TEXACO'S BRIGHTON REFINERY IN ORDER TO PROCESS ITS OWN SHARE OF CRUDE OIL AND TO HAVE A READY SUPPLY OF CHEAP FUEL FOR DOMESTIC PURPOSES.

3. WHEN RESOLUTION WAS PRESENTED AT PNM CONVENTION, IT WAS SUPPORTED BY SOME DELEGATES AS A MOVE WHICH WOULD INCREASE GOVERNMENT REVENUE AND ALSO CREATE ADDITIONAL JOBS. FOLLOWING PASSAGE OF THE FIRST POINT IN THE RESOLUTION, PNM PARTY CHAIRMAN SENATOR FRANCIS PREVATT (WHO IS ALSO MINISTER OF PETROLEUM & MINES, AND A CLOSE ADVISER OF PM WILLIAMS) SUGGESTED TO THE CONVENTION THAT AN IN-DEPTH STUDY BE DONE BEFORE ANY ACTION WAS TAKEN. THE CONVENTION REPORTEDLY AGREED WITH HIS SUGGESTION, AND THE TWO REMAINING POINTS IN THE RESOLUTION WERE EVIDENTLY NOT PUT TO VOTE.

4. TEXACO'S BRIGHTON REFINERY IS A TINY (6,000 BBL/DAY CAPACITY) REFINERY LARGELY USED TO PRODUCE OIL PRODUCTS FOR THE COMPANY'S OWN USE. IT IS NOT RPT NOT THE POINTE-LIMITED OFFICIAL USE

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A-PIERRE TEXACO REFINERY WITH A 350,00 BBL/DAY CAPACITY, WHICH PROCESSES IMPORTED AND DOMESTIC CRUDE LARGELY FOR EXPORT TO THE U.S. ONE OIL COMPANY OFFICIAL WHO COMMENTED TO THE EMBASSY ON THE PNM RESOLUTION SAID IT WAS AN UNSOPHISTICATED RESPONSE TO PRESSURES EXERTED ON TRINIDAD BY THE ARAB CRUDE CUT-OFF AND FEARS AMONG OIL WORKERS THAT THEY MIGHT BE THROWN OUT OF WORK IF REFINERIES IN TRINIDAD ARE FORCED TO REDUCE OPERATIONS DRASTICALLY.

5. COMMENT: THE EMBASSY BELIEVES THAT DRAFTING OF THE RESOLUTION MAY HAVE BEEN SPURRED BY THE PRESENT WORLD ENERGY SITUATION, BUT NOTES THAT TENOR OF RESOLUTION IS ENTIRELY IN KEEPING WITH PNM AND GOTT POLICY TOWARD FOREIGN INVESTMENT, I.E. LOCAL PARTICIPATION IN ALL NEW INVESTMENTS AND GRADUAL DISINVESTMENT BY FOREIGN SHAREHOLDERS IN EXISTING INVESTMENTS. RESOLUTION ALSO EXPRESSES GRASS-ROOTS OPPOSITION TO INCREASES IN RETAIL PRICE OF GASOLINE AND OTHER PETROLEUM PRODUCTS, WHICH OIL COMPANIES ARE ADVOCATING BECAUSE THEY CLAIM PRESENT RETAIL PRICES MEAN THAT DISTRIBUTION OPERATIONS (INCLUDING ONE OWNED BY GOTT) ARE RUNNING AT A LOSS. BECAUSE OF VAST AMOUNT OF CAPITAL INVOLVED IN OIL EXPLORATION, EXPLOITATION AND REFINING, GOTT HAS AS YET MADE ONLY MODEST ATTEMPTS NOTED IN PARA. 2 ABOVE AT EQUITY PARTICIPATION IN PETROLEUM INDUSTRY. HOWEVER, IT IS INSISTING UPON EQUITY PARTICIPATION IN CERTAIN ASPECTS OF THE PROPOSED LIQUIFIED NATURAL GAS PROJECT, AND IT IS REASONABLE TO EXPECT THAT AT SOME TIME IN THE FUTURE, THE GOTT WILL WANT TO PURCHASE AN INTEREST IN THE EXISTING REFINING AND PRODUCTION FACILITIES. ESPECIALLY IN VIEW OF PREVATT'S ACTION TO HEAD OFF APPROVAL BY PNM CONVENTION OF FULL RESOLUTION, EMBASSY DOES NOT VIEW PARTY CONVENTION'S ACTION AS PRESAGING ANY MAJOR OR RADICAL CHANGE IN GOTT PETROLEUM POLICY. INSTEAD, RESOLUTION IS PROBABLY AN INDICATION OF DIRECTION IN WHICH GOTT MAY EVENTUALLY MOVE IN ORDER TO ACQUIRE AN INTEREST IN ALL SEGMENTS OF OIL INDUSTRY NOW OPERATING IN TRINIDAD.

6. FULL TEXT OF RESOLUTION APPEARED IN DECEMBER 4 DAILY GUARDIAN, WHICH SHOULD HAVE REACHED ARA/CAR BY NOW. EMBASSY IS POUCHING TEXT TO DESK AND ALSO TO EB/ORF/FSO. DESPITE ABOVE LENGTHY RECAPITULATION OF PREVIOUSLY-REPORTED BACKGROUND AND DETAILED RESPONSE TO REFERENCED QUERY BY LIMITED OFFICIAL USE

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DEPARTMENT, EMBASSY'S ASSESSMENT OF OVERALL SIGNIFICANCE OF RESOLUTION IN ITSELF IS BEST REFLECTED BY INITIAL DECISION NOT TO REPORT IT AS SEPARATE ITEM.
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Message Attributes

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